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The Commonwealth of Massachusetts

BUREAU OF STATISTICS

STATE HOUSE, BOSTON, Dec. 26, 1913.

The Act Relative to Municipal Indebtedness in Effect January 1, 1914.

To City and Town Financial Officers, Members of City Governments, Boards of Selectmen, and Others Whom It May Concern:—

Your attention is herewith called to the fact that on and after January 1, 1914, the new law relative to Municipal Indebtedness, Chapter 719, Acts of 1913, becomes fully effective, and that it changes and modifies in many important respects the statutes hitherto in force governing the purposes and periods for which the cities and towns of the Commonwealth may issue loans and the manner of providing for the payment of debt at maturity. The complete text of this and other legislation affecting municipal finances will be furnished on application, but it is especially important that city and town officers and intending purchasers of municipal securities take note of the following provisions:—

1. Borrowing in Anticipation of Revenue.

"Cities and towns, and fire, water and watch districts, so-called, may, by a majority vote, incur debt for temporary loans in anticipation of the *revenue* of the *financial* year in which the debt is incurred and expressly made payable therefrom by such vote, and may issue a note or notes therefor to an amount not exceeding in the aggregate the total tax levy of the preceding financial year, together with the bank, corporation and street railway tax received during the preceding financial year, exclusive of special or additional assessments or revenue from any other source except payments made by the commonwealth in lieu of taxes on account of property taken for institutions or for metropolitan district purposes. Such notes shall be payable, and shall be paid, not

later than one year from the date thereof, and shall not be renewed or paid by the issue of new notes, except as is provided in section nine." [Sec. 3, Ch. 719, Acts of 1913.] It will be noted in this connection that:—

(a) The old phrase authorizing borrowing "in anticipation of taxes" is no longer employed, the word *revenue* being substituted in place of the word *taxes*; also the words *financial year* have been substituted for the words *municipal year*. In framing an article for a warrant and in passing the votes, therefore, the words *revenue* and *financial* should be used. The following forms for the article and vote, respectively, are suggested for this purpose:—

Article . To see if the town will vote to authorize the treasurer, with the approval of the selectmen, to borrow money in anticipation of the revenue of the current financial year.

Voted, That the town treasurer, with the approval of the selectmen, be and hereby is authorized to borrow money from time to time in anticipation of the revenue of the financial year beginning _____, and to issue a note or notes therefor, payable within one year, any debt or debts incurred under this vote to be paid from the revenue of said financial year.

(b) A limit upon the amount that may be borrowed in anticipation of revenue is definitely fixed. Formerly the limit, while not specifically mentioned in the law, was assumed to be the amount of the current year's tax levy. Under the new law the amount that may be borrowed in anticipation of revenue in any one year cannot exceed the total tax levy of the preceding financial year, plus the bank, corporation, and street railway tax for said year, exclusive of special or additional assessments, etc. The method of ascertaining the outside amount that may be borrowed in anticipation of revenue is simple. For example:—

Amount of tax levy based upon the April assessment of the preceding year,	\$40,000
Received from the Commonwealth during the preceding financial year on account of bank, corporation, and street railway taxes,	3,500
Received from the Commonwealth during the preceding financial year in lieu of taxes on property taken by it for institutions or metropolitan district purposes,	200

Amount that may be borrowed in anticipation of the current year's revenue, \$43,700

(c) Notes issued in anticipation of revenue must not only be made "payable" by the terms of the vote and the note itself within one year from the date of issue, but *they must actually be paid* within one year. If they are made to run for the full year permitted by the law, they cannot be renewed or paid by the issue of new notes, and as no obligations represented by a note can, under the provisions



The Commonwealth of Massachusetts

BUREAU OF STATISTICS

Important Notice to Town Treasurers, Selectmen, and other Municipal Officers.

AFTER JANUARY 1, 1914, the cities and towns of Massachusetts cannot incur debt for many purposes nor perform numerous other acts in connection with the management of their finances, formerly sanctioned by law. The enclosed circular calls attention to some of the more important provisions of the new law and your careful reading of the same is earnestly urged. **It is of the utmost importance that all financial officers familiarize themselves with the new legislation**, and especially that town treasurers and selectmen should do so prior to the approaching annual town meetings, in order that votes authorizing the borrowing of money may be passed in proper form and that special town meetings, or other subsequent embarrassments because of failure to comply with the statute, be avoided. Wherever doubt exists as to whether debt may be incurred for any particular purpose or as to the form of vote to be passed in order that money may be borrowed, this office, if communicated with in advance, will be glad to render all the assistance possible in suggesting proper methods of procedure.

BEGINNING JANUARY 1, 1914, the fee for certifying town notes will be reduced from \$3 to \$2 for each note. After that date also the Bureau of Statistics will be able to furnish interest-coupon notes, at the cost of printing the coupons in addition to the certification fee, to towns desiring this form of security in connection with serial loans.

BEGINNING JANUARY 1, 1914, all notes of Fire, Water, Watch, Light, and Improvement Districts must be issued on forms supplied by this department and must be certified, as in the case of town notes.


Under date of July 15 last there was sent from this office to the chairman of every board of selectmen, and to every town treasurer in the Commonwealth, and to various other municipal officials, a bulletin embodying the text of the new legislation relating to city and town finances passed by the General Court at its last session. If you did not receive this bulletin or have mislaid the same, we shall be glad to supply you with another copy on application.

DURING THE YEAR 1914 provision must be made, in accordance with the provisions of Chapter 634 of the Acts of 1913, for the payment of all outstanding demand notes and for the restoration of all trust funds which have been expended for general city or town expenses.

THE FINANCIAL YEAR OF ALL TOWNS MUST CLOSE ON DECEMBER 31 in the year 1914, and thereafter on December 31 of each year, in accordance with the provisions of Chapter 692 of the Acts of 1913, which also provides for the manner of financing the period between the close of the fiscal year and the annual town meeting.

THE WARRANT FOR THE ANNUAL MEETING IN THE YEAR 1914 of every town in the Commonwealth must, by the provisions of Chapter 706 of the Acts of 1913, contain an article (unless such article has already been adopted) reading substantially as follows: *To see if the town will petition the Director of the Bureau of Statistics for an audit of its accounts, in accordance with the provisions of Chapter 598 of the Acts of 1910 and amendments thereto.*

CHARLES F. GETTEMY,
Director.



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of the town note certification act, be extended *except* by the issue of a new note, it follows that the Director of the Bureau of Statistics cannot certify notes made for the purpose of extending the debt beyond the period fixed by law. But when a note is issued in anticipation of revenue *for a period of less than one year*, another note may be issued for the remaining period of the year, as provided for in Section 9 of the law. While municipalities ought not to exhaust their borrowing power for revenue purposes on one loan negotiated for the full year period authorized by the statute, nor in general incur temporary debts for a longer period than necessary, it is also bad practice, in the opinion of this department, to issue revenue notes, with a view to saving interest, for such short periods that they are likely to mature before there is revenue on hand to meet them.

2. Temporary Loans for Purposes Other Than Ordinary Revenue.

"Cities and towns may, by a majority vote, incur debt for temporary loans for the payment of any land damages or any proportion of the general expenses of altering a grade crossing which they are required primarily to pay under the provisions of law, or any proportion of the expense of constructing a highway in anticipation of reimbursement by the commonwealth, such reimbursement first to have been agreed upon by the Massachusetts Highway Commission, and may issue a note or notes therefor and for a period not exceeding one year from the date thereof; and when any money so paid is repaid to the municipality, it shall be applied to the discharge of the loan. Notes issued under the provisions of this section shall not be renewed or paid by the issue of new notes, except as is provided in section nine." [Sec. 4, Ch. 719, Acts of 1913.]

"If a city or town votes to issue bonds, notes or certificates of indebtedness in accordance with the provisions of law, the officers authorized to issue the same may, in the name of such city or town, make a temporary loan for a period of not more than one year in anticipation of the money to be derived from the sale of such bonds, notes or certificates of indebtedness and may issue notes therefor; but the time within which such securities shall become due and payable shall not be extended by reason of the making of such temporary loan beyond the time fixed in the vote authorizing the issue of such bonds, notes or certificates of indebtedness; and notes issued under the provisions of this section and of sections three and four of this act for a shorter period than one year may be refunded by the issue of other notes maturing within the required period." [Sec. 9, Ch. 719, Acts of 1913.]

3. Purposes and Periods for which Debt may be Incurred.

Municipal debts are of two kinds, — those which may be incurred within the debt limit, so-called, and those which may be incurred outside the debt limit.

(a) *Debts may be authorized within the debt limit only by a vote of two-thirds of the voters present and voting at a town meeting duly called, or of two-thirds of all the members of a city council or other governing body taken by yeas and nays, and subject to the approval of the mayor, if such approval is required by the charter of the city. Such debts may be incurred for the following purposes only and must be payable within the periods specified:—*

(1) For the construction of sewers for sanitary and surface drainage purposes and for sewage disposal, thirty years.

(2) For acquiring land for public parks under the provisions of chapter twenty-eight of the Revised Laws and amendments thereof, thirty years.

(3) For acquiring land for, and the construction of, schoolhouses or buildings to be used for any municipal or departmental purpose, including the cost of original equipment and furnishing, twenty years.

(4) For the construction of additions to schoolhouses or buildings to be used for any municipal purpose, including the cost of original equipment and furnishings, where such additions increase the floor space of said buildings to which such additions are made, twenty years.

(5) For the construction of bridges of stone or concrete, or of iron superstructure, twenty years.

(6) For the original construction of streets or highways or the extension or widening of streets or highways, including land damages and the cost of pavement and sidewalks laid at the time of said construction, ten years.

(7) For the construction of stone, block, brick or other permanent pavement of similar lasting character, ten years.

(8) For macadam pavement under specifications approved by the Massachusetts Highway Commission, five years.

(9) For the construction of walls or dikes for the protection of highways or property, ten years.

(10) For the purchase of land for cemetery purposes, ten years.

(11) For such part of the cost of additional departmental equipment as is in excess of twenty-five cents per one thousand dollars of the preceding year's valuation, five years.

(12) For the construction of sidewalks of brick, stone, concrete or other material of similar lasting character, five years.

(13) For connecting dwellings or other buildings with public sewers, when a portion of the cost is to be assessed on the abutting property owners, five years.

(14) For the abatement of nuisances in order to conserve the public health, five years.

(15) For extreme emergency appropriations involving the health or safety of the people or their property, five years.

(b) Debts may be authorized *outside the debt limit* only by a two-thirds vote of the voters present and voting at a town meeting or of two-thirds of all the members of a city council or other governing body and subject to the approval of the mayor if such approval is required by the charter of the city, — except that for temporary loans a majority vote only is necessary. Such debts may be incurred for the following purposes, payable within the periods specified: —

(1) For temporary loans (*i.e.*, in anticipation of revenue, on account of altering grade crossings, reimbursements on account of constructing state highways, or in anticipation of bond or note issues), one year.

(2) For establishing or purchasing a system for supplying the inhabitants of a city or town with water, or for the purchase of land for the protection of a water system, or for acquiring water rights, thirty years.

(3) For the extension of water mains and for water departmental equipment, five years.

(4) For establishing, purchasing, extending or enlarging a gas or electric lighting plant within the limits of a city or town, twenty years; but the indebtedness so incurred shall be limited to an amount not exceeding in a town five per cent and in a city two and one-half per cent of the last preceding assessed valuation of such town or city.

(5) For acquiring land for the purposes of a public playground, as specified in section nineteen of chapter twenty-eight of the Revised Laws and amendments thereof, thirty years; but the indebtedness so incurred shall be limited to an amount not exceeding one-half of one per cent of the last preceding assessed valuation of the city or town.

4. How the Payment of Debt Must Be Provided For.

The further establishment of sinking funds by cities or towns is prohibited. The issue of notes for any purpose payable on demand is prohibited. Provision must be made at the time of authorizing any debt which is to run for more than one year for paying the same in annual instalments “so that the first of such annual payments on account of any loan shall be made not later than one year after the date of the bond or notes issued therefor, and so that the amount of such annual payments in any year on account of such debts, so far as issued, shall not be less than the amount of principal payable in any subsequent year, and such annual amount, together with the interest on all debts, shall, without further vote, be assessed until the debt is extinguished.” [Sec. 14, Ch. 719, Acts of 1913.] “The auditor or similar officer in cities, and the town accountant in towns having such an officer, and the treasurer in all other towns shall, not later than May first of each year, notify the board of assessors in writing of the amount of debt falling due during the current financial year, the sinking fund requirements, if any, and what provision has been made for meeting such requirements; and the board

shall make such provision for meeting said debt and sinking fund requirements in the tax levy of that year as in its judgment may be necessary." [Sec. 8, Ch. 719, Acts of 1913.]

5. Liabilities not to be Incurred in Excess of Appropriations.

"No department of any city or town shall incur liability in excess of the appropriation made for the use of such department, except in cases of extreme emergency involving the health or safety of persons or property, and then only by a vote in cities of two-thirds of the members of the city council, and in a commission form of government by a vote of two-thirds of the members of the commission, and in a town by a vote of two-thirds of the selectmen." [Sec. 16, Ch. 719, Acts of 1913.]

A careful study of the above provisions and general familiarity with the law on the part of the selectmen and town financial officers is especially urged in order that delay in the certification of town notes because of failure to comply with the statute may be avoided.

CHARLES F. GETTEMY,

Director, Bureau of Statistics.



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